

Sept. 22, 1978

TO: Josh Denham
Jeff Rochlis
Fred Held
Dave Chandler

FROM: Howard L. Cohen

SUBJ: Sylvania/Video

Please read the attachment first. This memo addresses, specifies and asks for your direction based on the attachment.

Briefly, the vendor is an excellent choice for their experience and technical knowledge. However, these attributes require our getting up-to-their-speed in finalizing function, testing, and manufacturing specifications, as well as determining contractual matters.

1. Infant Failure Rate

According to vendor, there is a substantial failure rate for complex circuit boards during initial operation. They suggest that all initial units (completely assembled) should be operated for 168 hours, to be then shipped or reworked. This involves all components, not just the chipset. Based on test data results, further tests can be reduced in time and number. The ADDED cost could approach 15% (or \$9.00).

I recommend that Dave study this problem at once and provide me with a plan for conducting this test. I will have the test (if needed) quoted, based on the plan submitted. If we do test or do not do any test, the vendor requires a percentage waiver on AOQL and warranty based on an estimate of failure.

2. Warranty

Normally, warranty is Repair and Replace. Since a service contract is involved, the unit will remain in the field. The vendor will not accept straight reimbursement of our cost. His reasons include the possibility of an unlimited exposure based on technicians that could induce damage and inability to define workmanship and material (warranty) problems from functional or design problems. Their reasoning is sound and logical. Neither of us could think of another way to solve the problem.

I recommend, if another way can't be found, eliminating the warranty in return for a percentage reduction in cost. If this recommendation is acceptable, what percentage is goal and minimum?

3. Acceptance Inspection

It is essential that Quality Assurance establish a program to receive the production units. Vendor would be shipping daily at rate and would require either a resident inspector or criteria for their QC function and our audit. Their liability would be limited to lots we audit and quarantine or could prove negligence for. The vendor has agreed to a 3% AOQL.

I recommend that QA immediately visit Sylvania.

4. Cancellation for Convenience

The vendor has a lot of previous experience in this area. He has submitted a payment plan for engineering, labor, design, line tooling, etc. plus other costs to be paid for materials. I think it is an equitable plan and establishes risk up front. (Note: the lump sum is subject to audit and can be less, but no more). Their backup documentation appears accurate. After 150m units, there is no lump sum arrangement.

I recommend acceptance, but need authorization (Rochlis).

5. Commitment

The vendor will require commitment for July and more (past 200m) by April 1, 1979 for at least two months.

No action required now.

6. Costs

Costs remain highly flexible due to unknown factors in Bill of Materials, QC and warranty and testing. My present ballpark is a worse case in-every-area of \$120.00 unit (versus \$105.50). These variables can be resolved by finalizing design and test parameters.

I recommend finalizing design on 9/29/78, regardless of future changes and the immediate settlement of testing questions (see Item #1).



Electronic Components Group
Circuit Module Operation
P.O. Box 360
Muncy, Penna. 17756
717 546-3191

September 20, 1978

Mattel Inc.
Mattel Toy Division
5150 Rosencrans Avenue
Hawthorne, Calif. 90250

Attention: Mr. Howard L. Cohen, Director of Purchasing

Subject: MATTEL & GTE SYLVANIA, CIRCUIT MODULE OPERATION

Dear Howard,

This will confirm our agreement in principle with respect to your Video Game. Agreement will contain the substance of the provisions attached hereto and CMO quote dated September 1, 1978. This agreement in principle does not constitute a binding contract between our companies (except as to Mattel's agreement to reimburse CMO for certain costs mentioned below). Such an agreement will be promptly prepared by our counsel for execution.

You advised that you can't agree to the termination charges without approval of Mattel management. This item is still open. We would like to resolve this substantive issue within the next seven days, and if it is possible, we are prepared to begin work on this project at your request with the understanding that we will be reimbursed for the costs expended in such effort.

Very truly yours,

GTE SYLVANIA INCORPORATED

S. R. Sisak 9/20/78
S. R. Sisak
General Marketing Manager

SRS/1b

Attachment

AGREED TO:

BY MATTEL *Howard L. Cohen* 9/20
Howard L. Cohen

MATTEL PROPOSAL

The following considerations will be discussed in negotiations with Mattel.

MATTEL PROPOSAL

Product Design and Qualification

Mattel will represent that product conforms to all Federal, State and local regulations and will be entirely responsible for U.L. approval and the requirements of any agency, such as the FCC or the CPSC. Specifically, Mattel will be responsible for the expenses of any product recall at any time.

Mattel to represent that the product has been designed, tested and qualified as a safe consumer product.

Mattel should also make some representation concerning the expected "infant" failure rate, if the units are not burned-in prior to shipment.

MATTEL PROPOSAL

Consignment Chips & GI

Mattel has full responsibility for chip design, performance, reliability, infant mortality, etc. Timely delivery in necessary quantities must be made by Mattel to maintain CMO production rates. Parties should recognize that a substantial failure to deliver chips could be a partial termination for Mattel's convenience and not force majeure.

MATTEL PROPOSAL

Tooling

Mattel will be responsible for normal maintenance of tooling under its contractual control. CMO will be responsible for normal maintenance of tooling under its contractual control. Mattel retains ownership of all such tooling used by CMO, and Mattel will be responsible for any design defects of such tooling.

MATTEL PROPOSAL

Warranty:

- (i) 90 days from sale to Mattel customer but under no conditions to exceed 180 days from shipment from CMO.
- (ii) CMO Supplied material and workmanship only.
- (iii) The warranty will include reimbursement of Mattel's service costs (under warranty terms and conditions) subject to CMO approval of the service contract and conditions or, if not approved, subject to a negotiated limit to CMO's liability.
- (iv) Final acceptance will occur at CMO. Mattel will audit periodically. Mattel may choose to have a resident inspector for final acceptance.
- (v) Absolutely no liability for consequential damages (e.g. Mattel's lost profits on game sales, injured reputation, etc.)
- (vi) Mattel will idemnify CMO for "product liability" claims.
- (vii) Product reliability, including component specifications and reliability will be Mattel's sole responsibility upon approval of CMO generated component specifications, such specifications becoming the property of Mattel.

MATTEL PROPOSAL

Testing, Inspection and Acceptance

If CMO performs the final testing, our obligations must be clear and unequivocal.

MATTEL PROPOSAL

Changes

Design - Equitable adjustment to price and delivery schedule depending on impact.

Mutual agreement for prospective changes. Emergency changes - "not to exceed" authorization and negotiate later. Mattel must approve and authorize all changes.

Delivery Schedule - Schedule fluctuations increasing, decreasing, or stretching out of deliveries can have cost impact.

MATTEL PROPOSAL

Termination by Mattel prior to delivery of the contractually specified number of units (i.e. 200K). See attached.

The substance of this clause will be mutually agreed upon and incorporated in the final agreement.

CHARGES FOR TERMINATION FOR CONVENIENCE

	1978	1979													
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Program Implementation
Special Efforts (Reference)

Program Go Ahead ▽

Engineering & Prog.
Planning

Establish Special Prod.
Capability

Prod. Capacity "On Line"

Planned Deliveries

Mattel Decision To
Terminate At End Of

1st Month - Oct. 1978

2nd Month - Nov. 1978

3rd Month - Dec. 1978

4th Month - Jan. 1979

5th Month - Feb. 1979

6th Month - Mar. 1979

7th Month - Apr. 1979

8th Month - May 1979

14.5K	45K	70K	100K												
250	250	14.5K	45K	70K	70K	100K	100K	100K	100K	100K	100K	100K	100K	100K	100K

no commitment

Charges Per
Page 2 of 2 (000)

\$ 20
\$ 65
\$ 115
\$ 231
\$ 462.5
\$ 799
\$ 813
\$ 813

If Cancellation Occurs:

Cancellation Charges*

- | | |
|--|---|
| 1. One month ARO | A lump sum cancellation payment of \$20,000 Plus WIP, Raw Material & Other Non Cancellable Vendor Charges ("Non Cancellable Charges") |
| 2. Two months ARO | A lump sum cancellation payment of \$65,000 Plus WIP, Raw Material & "Non Cancellable Charges" |
| 3. Three months ARO | A lump sum cancellation payment of \$115,000 Plus WIP, Raw Material & "Non Cancellable Charges" |
| 4. Four months ARO with
1 to 250 units delivered | A \$175,000 Lump Sum Cancellation Payment Plus
\$225.15 X No. of Units Purchased,
Plus WIP, Raw Material & "Non Cancellable Charges" |
| 5. Five months ARO with
251 to 500 units delivered | A \$350,000 Lump Sum Cancellation Payment Plus
\$225.15 X No. of Units Purchased,
Plus WIP, Raw Material & "Non Cancellable Charges" |
| 6. Six months ARO with
501 to 15,000 units
delivered | A \$462,575 Lump Sum Cancellation Payment Plus
\$23.21 per unit for the quantity of units delivered
in excess of 500, Plus WIP, Raw Material & "Non
Cancellable Charges" |
| 7. Seven months ARO with
15,001 to 50,000 units
delivered | A \$799,000 Lump Sum Cancellation Payment Plus
\$0.40 per unit for the quantity of units delivered
in excess of 15,000, Plus WIP, Raw Material & "Non
Cancellable Charges" |
| 8. Eight months ARO with
50,001 to 150,000 units
delivered | \$813,000 cancellation payment may be amortized over
next 100,000 units Plus any WIP, Raw Material
Inventory & "Non Cancellable Charges" |
| 9. Units 150,001 - 200,000 | <u>No liquidated damages, but full reimbursement for</u>
WIP, Raw Material Inventory & "Non Cancellable
Charges" |

*All charges are in addition to the per unit price of \$74.85 each.



Electronic Components Group
Circuit Module Operation
P.O. Box 360
Muncy, Penna. 17756
717 546-3191

September 1, 1978

Mattel Inc.
Mattel Toy Division
5150 Rosencrans Avenue
Hawthorne, Calif. 90250

Attention: Mr. Howard L. Cohen, Director of Purchasing

Subject: QUOTATION - VIDEO GAME #2609

Dear Howard,

Confirming our telephone conversation this date, September 1, 1978, GTE Sylvania, Circuit Module Operation (CMO), Muncy, Pennsylvania is pleased to submit a quotation for the subject assembly in the quantities requested by Mattel as follows:

1. 200,000 total units deliverable March 1979 thru June 1979 = \$74.85 each

Schedule - 250 to 500 - Jan. 1979 (Pre-production pilot run)
Balance - Mar. 1979 thru June 1979

2. 500,000 units as follow-on to above 200,000 units = \$69.92 each

Schedule - 100,000/month - July 1979 thru completion

In addition to the above unit prices, nonrecurring costs of \$40,300.00 are applicable to Item 1 above. An incremental amount of \$3,050.00 is applicable if Item 2 above is exercised. A breakdown of these costs are as follows:

<u>Description</u>	<u>200K Volume Amount</u>	<u>500K Volume Incremental Amount</u>
Assembly Fixtures and Insertion Programming	\$ 9,300.00	\$ 3,050.00
GI Designed and Manufactured Test Equipment	15,000.00	--
Printed Circuit Board Pierce and Blanking Dies	<u>16,000.00</u>	<u>--</u>
Total	\$40,300.00	\$ 3,050.00

Mattel Inc.
Mattel Toy Division
Mr. Howard L. Cohen, Director of Purchasing

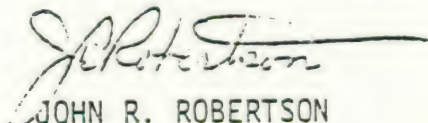
September 1, 1978
Page 2

The basis for this quotation is detailed on the attachment (Exhibit A) of this letter.

We trust that this quotation and information is sufficient for your evaluation. However, should any additional information be required, please do not hesitate to contact me.

Very truly yours,

GTE SYLVANIA INCORPORATED



JOHN R. ROBERTSON
Sales Engineer

JRR/nlr
Attachment

EXHIBIT A

Basis of Quotation

The unit selling prices and nonrecurring charges offered in this quotation are for a complete tested Mattel #2609 Video Game. The understandings, assumptions and conditions used in preparing this estimate are outlined below:

1.) Per Mattel's direction, CMO has:

- a.) used parts list No. 2609-9991(1978), dated March 13, 1978, as furnished by Mattel's Mr. H. Cohen on 8/24/78, for material pricing. CMO has outlined their understanding of this parts list as an attachment to this Exhibit A. Please note that CMO has used estimated pricing for components that are not/could not be clearly defined within the time constraints of quotation submittal.
- b.) included labor costs reflecting the net addition of forty-two (42) components to the Logic Board Assembly as described by the schematic furnished by G. I. on 8/29/78, i.e., D39121,8900 System, Dated 6/28/78.
- c.) not included material pricing for the Upper and Lower RF Shields since design has not been completed. However, all labor costs associated with these parts are included in the unit selling prices.

2.) Per discussion with Mattel's Mr. H. Cohen on 8/24/78, CMO understands that:

- a.) CMO will be allowed/expected to work with G. I. on the finalization of the printed circuit board layout to assure compatability with CMO's automatic insertion equipment. CMO's pricing assumes automatic insertion of axial lead components.
- b.) CMO, in conjunction with Mattel and G. I., will prepare a documentation package for the Video Game. This will consist of a component list and the specifications to which they are purchased.

Mattel's approval of this documentation and amendments thereto will be essential as the authorization for CMO to build the product in accordance with the specifications so approved.

CMO understands that Mattel will have established the product to be in compliance with FCC, UL and all other such requirements. Thus, CMO has not included any costs for such activities.

EXHIBIT A

Page 2 of 3

Basis of Quotation - (Continued)

3.) It has been agreed:

- a.) that CMO will serialize the Video Game by way of a label affixed to the console base and that UL labeling will be an integral part of the stamped console base itself.
- b.) that the Master Carton (2609-0930) has been designed to preclude any requirement for skidding.
- c.) that the pricing furnished by Mattel for the Individual Game Carton (2609-9219) includes labeling.
- d.) that only nine (9) of the total ICs will be mounted on the circuit via IC sockets.
- e.) that the "Game Chip Set" consisting of IC1 through IC6 will be consigned by Mattel. CMO has assumed that consignment will be f.o.b. Williamsport/Muncy, Pa. and the quantity will include a 3% extra allowance for manufacturing attrition.
- f.) that the consigned "Game Chip Sets" will be supplied in matched sets until and unless it has been established with CMO's concurrence that such matching is not needed. CMO's costs include 100% testing only of the first 5,000 matched sets on the test set designed and manufactured by G. I.

4.) CMO's unit selling prices and nonrecurring charges include testing at subassembly and final assembly levels of production. The test times used were based on test information supplied by Mattel. CMO has assumed that testing will be performed under the following conditions:

- a.) All subassemblies will be tested at $25^{\circ} \pm 10^{\circ}\text{C}$ at their respective nominal voltages.
- b.) Final assembly test, using a Mattel furnished test cassette, will be performed at $25^{\circ} \pm 10^{\circ}\text{C}$ and $120^{\circ}\text{V}_{\text{AC}} \pm 10\%$.

5.) CMO's In-Process and Final Quality Assurance Acceptance criteria will be to the following workmanship specifications:

a.) Single sided printed circuit boards -

A minimum of 75% of the lead circumference must exhibit a good solder flow and have a properly formed fillet.

b.) Double sided printed circuit boards -

A minimum of 50% of the lead circumference must exhibit a good solder flow on both sides of the printed circuit board.

Basis of Quotation - (Continued)

- 5.) c.) Component lead protrusion on the solder side of the printed circuit board shall be of such maximum length to prevent shorting to adjacent leads, circuitry, and/or mechanical assembly.
 - d.) After cleaning, printed circuit board assemblies will be visually inspected, by the unaided eye, to assure they are free from corrosive/conductive contaminants.
 - e.) Workmanship inspection shall be performed with the unaided eye.
 - f.) Mechanical hardware (screws) shall be tight. The word "tight" is defined as "the screw can not be appreciably tightened further without damage or injury to the screw heads or plastic case."
 - g.) Push buttons shall have adequate clearance on all sides to permit free travel without causing a functional failure.
 - h.) Final game assembly cosmetic criteria to be as specified in the Mattel Product Specification for #2609 Video Game, (no specification number or date on specification), as furnished by Mattel on 8/25/78.
- 6.) Printed circuit board material will be .062" NEMA Grade CEM-1. The Logic board and Power Supply board will have one (1) ounce of copper on two sides. The Cassette board will have one (1) ounce of copper on one side with twenty (20) gold tabs. Tabs will be gold plated (20) microinches minimum x .06" x .3".
- 7.) CMO's unit selling prices and nonrecurring charges do not include burn-in.
- 8.) CMO considers engineering and design of all tooling or dies an integral part of the manufacturing process; therefore, payment of quoted nonrecurring charges which do not include total costs conveys ownership only to the extent of Buyer's investment without the right of removal from our plant. Our interest, together with the right of removal, may be obtained through negotiation and agreement for fair reimbursement for the costs of the tools and dies, design, development and maintenance.
- 9.) The unit selling prices and nonrecurring charges apply to the quantities and delivery rates outlined.
- 10.) Shipment will be f.o.b. Williamsport/Muncy, Pa. in truckload lots.
- 11.) Terms are net thirty (30) days.
- 12.) Attached GTE Sylvania, Circuit Module Operation, Terms and Conditions are applicable to any agreement resulting from this proposal.

EXHIBIT A

ATTACHMENT

CNO's Understanding of Mattel's Parts List #2609-9991(1978) Dated March 13, 1978

-9991 Video Game (1978) Final Assembly		Pricing Source	Unit Cost	Extended Cost
1)	2609-9109 Console Assembly			
(1)	2609-9519 Circuit Board Assembly #1			
(1)	Switch Momentary S1	C.W. Industries	.25	.25
(1)	Switch Momentary S1	U.I.D. Div. of AMF Amp	.25	.25
(1)	Conn MOL 5 Pin MLE J5	Molex #09-67-1051 Wafer Pin	.061	.061
(6)	IC Socket Pin #C8540-01	TI	.215	1.29
(2)	Wafer Assembly	Est.	.20	.40
(2)	Wafer Assembly	Est.	.20	.40
(1)	Connector 22 Pin J1	Circuit Assy. Corp. CA-22-1-01	.99	.99
(1)	P.C. Board Logic	Make	--	--
(1)	Resistor Carbon Film 330 5.5W R4	R-Ohm AIRCO Int. Components Corp.	.008	.008
(1)	Resistor Carbon Film 10 5.25W R13		.007	.007
(2)	Resistor Carbon Film 1K 5.25W R3, R5		.007	.014
(1)	Resistor Carbon Film 10K 5.25W R10		.007	.007
(1)	Resistor Carbon Film 1Meg 5.25W R6		.007	.007
(1)	Resistor Carbon Film 27 5.25W R2		.007	.007
(2)	Resistor Carbon Film 3.3K 5.25W R7, R8		.007	.014
(1)	Resistor Carbon Film 470 5.25W R11		.007	.007
(1)	Resistor Carbon Film 560 5.25W R9		.007	.007
(1)	Cap 20PF 500V C1	R-Ohm AIRCO Int. Components Corp.	.007	.007
(5)	Cap .1MFD 20 100V Axial C3, C4, C5, C6, C7	Erie #801-000C 0Q0200J	.024	.024
(1)	Cap, Trimmer 50PF C2	United Chemi-Con Inc.	.077	.385
(1)	Cap 10MFD 35V C13	Erie #538-000 F15-60	.44	.44
(1)	Crystal Piezo X1	Illinois Cap Alum. Radial leads	.032	.032
(1)	Transistor Sil. (2N3904) Q3	Reenes Hoffman - McCoy Crystal	1.35	1.35
(1)	IC Quad. Imp P Gate IC11 #4011	ITT - Texas Inst. Motorola NPC	.045	.045
(1)	IC 6810 Static Ram IC13	Fairchild - National - Motorola	.13	.13
(1)	IC STIC AY3-8900-1 IC4	Est.	2.25	2.25
(1)	2609-9559 Channel Select Slide Switch SPDT	Consiged	.065	.065
		CW Industries GF324PC		

EXHIBIT A

ATTACHMENT

CMO's Understanding of Mattel's Parts List #2609-9991(1978) Dated March 13, 1978 - (Continued)

	Pricing Source	Unit Cost	Extended Cost
(1) IC CP 1610 MPC IC1	Consigned		
(1) IC 20K ROM IC3	Consigned		
(1) IC Graphics ROM IC5	Consigned		
(1) IC Sound - I 10 IC6	Consigned		
(1) IC RA-3-9600 RAM IC2	Consigned		
(4) IC 2112 Astatic RA IC7, 8, 9, 10	National - AMD - Sig	1.20	4.80
(1) IC 7407 TTL Buffer IC 12	Fairchild - National	.13	.13
(1) Modulator VHF	Astec #1085	2.371	2.37
(1) Information for PJ770B	TI		
(5) IC Socket 16 Pin Dip C8516-01	TI	.085	.425
(1) IC Socket 24 Pin Dip C8524-01	TI Est.	.17	.17
(1) 2609-9539 Power Supply Board Assembly			
(1) Plug 5 Pin Mol ML (1 - 09-50-7051 Housing @ .039 5 - 08-50-0105 Terminals @ .005)	AMF	.064	.06
(1) Connector MTS 5 Power Out	Molex #09-67-1051 Wafer Pin, AMP	.061	.06
(1) PC Board Power	Make	--	--
(1) Resistor Carbon Film 220 5.5W R1	R-ohm, AIRCO, Int. Components Corp.	.008	.008
(3) Cap, 1 MFD 20 100V Axial C4, C5, C6	United Chem Con Inc. - Illinois Cap Corp.	.077	.23
Metalized Film Polyester			
(1) Cap 100MFD 20 25V C2 Axial	U.C.C. #25TAL 100	.071	.071
(1) Cap 1000 MFD 35V C3 Axial	U.C.C. #35TAL 100	.255	.255
(1) Cap 10,000 MF 16V C1 Axial	U.C.C. #16TAL 10000	.70	.70
(5) Wire E22 White Str. PVC 7/30	American Elect. Cable Co. (Teledyne	.005	.025
(1) Diode Zener (IN5234) V1	ITT, TI, Motorola, Siemens	.045	.045
(8) Diode S1 1A 200V IM4001	GI - Unitorde	.028	.224
(1) IC 12V Reg. LM340T12	TI	.40	.40
(1) IC LM340-5	TI	.40	.40
(1) 2609-9549 Transformer Assembly	Midwest Transformer Mattel Source & Tooled	3.06	3.06

EXHIBIT A

ATTACHMENT

CMO's Understanding of Mattel's Parts List #2609-9991(1978) Dated March 13, 1978 - (Continued)

		<u>Pricing Source</u>	<u>Unit Cost</u>	<u>Ext Co</u>
(1)	2609-9119 Console Cover - Labeled			
	(1) 2609-0320 Label - Plain Foil	Mattel	.14	.1
	(1) 2609-0330 Label - Controls Foil	Mattel	.14	.1
	(1) 2609-6119 Console Cover - Painted *See 2109	Mattel		
	(1) 2609-2119 Console Cover ABS Ref. 2109, 2149	Mattel		
	(AR) Paint	Mattel	.02	.0
	(6) 0405-0832 Screw (8-18 x 3/4")	Shakeproof Hi-Lo, (Commercial Fastener)	.0085	.0
	(1) 2609-2129 Button - Reset *Ref 2139 ABS	Mattel	.07(set)	.0
	(1) 2609-4269 Spring - Push Button	Mattel	.012	.0
	(1) 0405-0812 Pushnut Fastener	Palnut PD156007	.0024	.0
	(1) 2609-2139 Glamor Cap *Ref 2129 ABS	Mattel	.005	.0
	(1) Washer - Push on	Mattel	1.091	1.0
	(1) 2609-9599 Cable Antenna (15' Cable 75 ohm @ .029 ft. 2 connectors @ .328 each)	Victor Electric Wire & Cable, Columbia Electronic Cable		
	(1) 2609-9609 Switch Unit Assembly - Antenna 300 ohm	Mattel	.50	.5
(2)	2609-9059 Hand Controller Assembly			
	(1) 2609-9579 Cable Assembly (w/connectors)	Mattel	.71	1.0
	(2) 2609-9569 Cable	Mattel	.19	.3
	(2) 2609-9469 Connector - Controller	Mattel	.19	.3
	(2) 2609-9479 Connector - Console	Mattel	.30	.3
	(2) 2609-2059 Housing, Lower ABS (Cost includes #2069)	Mattel	.685	1.0
	(2) 2609-9589 Circuit Matrix	Mattel Chomerics	.07(set)	.0
	(4) 2609-2099 Push Button	Mattel Polyeth		
	(1) 2609-9089 Disc - Control w/inlay Assembly	Mattel	.0425	.0
	(2) 2609-2089 Disc - Control Acetal	Mattel	.03	.0
	(2) 2609-0310 Inlay			
	(1) 2609-9069 Housing - Upper Sub Assembly			
	(2) 2609-2069 Housing - Upper ABS (See #2059)			
	(2) 2609-2079 Frame ABS	Mattel	.0425	.0

EXHIBIT A

ATTACHMENT

CMO's Understanding of Mattel's Parts List #2609-9991(1978) Dated March 13, 1978 - (Continued)

		Pricing Source	Unit Cost	Ext Cost
(1)	(8) 0405-0842 Screw (5-20 x 7/16")	Shakeproof Hi-Lo (All Metal Screw Co.)	.007	
(1)	(2) 0405-4279 Compression Spring	Mattel Ind. Fasteners	.012	
(1)	2609-2109 Console Base See 2149, 6119 ABS	Mattel	1.53	
(1)	2609-2149 Tray See 2109 ABS	Mattel		
(6)	0405-0802 Screw (8-18 x 1")	Shakeproof Hi-Lo	.009	
(6)	0405-0812 Screw (8-18 x 1/2")	Shakeproof Hi-Lo	.0075	
(2)	0405-0822 Screw (6-19 x 1/2")	Shakeproof Hi-Lo	.0075	
(1)	Shield R.F. Upper	No price Quote Less		
(1)	Shield R.F. Lower	No Price Quote Less		
(1)	2609-0230 Insulator Fish Paper 3" x 4"	Est.	.015	
(4)	2609-9489 Foot-Adhesive	SW 432-SD-LO-S-B1-JK	.011	
(1)	Switch 3 Pot 3/4 Power ON/OFF		.257	
(1)	2610-9991 Cassette w/Case			
(1)	2610-9039 Cassette Assembly			
(1)	2610-9049 Housing Labelled			
(1)	(1) 2610-0340 Label Multicolor Foil			
(1)	(1) 2610-2049 Housing (Cost includes #2039)	Est.	.05	
(1)	2610-9389 Circuit Board Assembly	Mattel	.103	
(1)	(1) PC Board			
(1)	(1) IC Cartridge ROM IC13			
(1)	(1) IC Cartridge ROM IC14			
(2)	0.1 VF Capacitors Ceramic Low Volt Bypass	GI parts		
		GI parts		
		Erie #5655-00X5R01042		
		Also Central Lab #2000		
		10 Volt		
(1)	2610-2039 Panel - Access (#See #2049)	Mattel	3.50	
(2)	0405-0842 Screw (5-20 x 7/16")	Shakeproof Hi-Lo	.007	
(1)	2610-2129 Base - Cassette Case (See #2139)	Mattel		
(1)	2610-2139 Lid - Cassette Case (Cost includes #2129)	Mattel		
(1)	2610-2259 Packing Piece Polyureth	Mattel	.21	
(1)	2610-0920 Instruction Booklet Pr. Paper	Mattel	.02	
(2)	2610-4289 Program Guide Mylar	Mattel	.25	
(1)	2611-0340 Label	Mattel	.10	
		Est.	.05	

EXHIBIT A

ATTACHMENT

CMO's Understanding of Mattel's Parts List #2609-9991(1978) Dated March 13, 1978 - (Continued)

	Pricing Source	Unit Cost	Extended Cost
2609-9993 Standard Pack			
(1/6) 2609-0930 Master Carton	Mattel	.60	.10
(A/R) 0405-0790 Tape 3" Reinforced		--	--
(6) 2609-9992 Toy in Individual Labelled Carton			
(1) 2609-9219 Individual Carton (labelled)	Mattel	.54	.54
(A/R) 0405-9950 Tape 2" Clear		--	--
(2) 2609-0810 End Cap Styrobead		.25	.50
(A/R) 0405-0290 Tape 1" Clear	Mattel	--	--
(1) 0001-9210 Poly sleeve (11½ x 24) Bag	Mattel	.03	.03
(1) 2609-0920 Instruction Sheet pr. paper	Mattel	.10	.10
(1) 2610-9991 Football Cassette Assembly		--	--
(1) 2609-9991 Video Game Assembly		--	--
(1) Chip Board for Cartridge	Mattel	.03	.03

TERMS AND CONDITIONS OF QUOTATION AND SALE

Set forth below are the GTE Sylvania Incorporated, Circuit Module Operation's ("CMO") standard terms and conditions of quotation and sale of special purpose products.

Unless CMO, through an overriding agreement or other writing signed by an authorized representative, shall hereafter specifically agree to modifications of these terms and conditions of quotation and sale, acceptance by CMO of the Buyer's order is expressly conditional upon Buyer's assent to such terms and conditions and the Buyer's acceptance of merchandise delivered shall be deemed to be an unqualified assent hereto. CMO's failure to object to provisions contained in any communications from the Buyer shall not constitute a waiver of the provisions hereof.

1. **QUOTATION:** All prices and charges are effective for thirty (30) days from date of quotation. Written extensions will be considered upon request.

2. **CREDIT TERMS:** Unless otherwise agreed to by CMO, all invoices are due and payable within thirty (30) days from the date of invoice. No discounts are authorized.

On shipments delayed by the Buyer, invoices will be issued on the date when CMO is prepared to make shipment. Products held for the Buyer shall be at the risk and expense of the Buyer.

3. **TAXES:** Unless otherwise agreed to by CMO, all prices will be quoted, all orders accepted, and all billing rendered exclusive of all federal, state, and local excise, sales and similar taxes. Such taxes, when applicable, will appear as separate additional items on CMO invoices unless a properly executed exemption certificate is received by CMO prior to shipment.

4. **TITLE, SHIPPING AND SECURITY:** Unless otherwise agreed to by CMO, all sales will be FOB, CMO factory. For FOB, CMO factory deliveries, CMO's liability ceases and the title and risk of loss pass to Buyer upon CMO making delivery of material purchased hereunder to the carrier at the shipping point, the carrier acting as the Buyer's agent. All claims for damages must be filed by the Buyer with the carrier.

CMO reserves a purchase money security interest in all goods delivered hereunder until such time as the purchase price is paid in full. This document may be filed as a Security Agreement evidencing such security interest.

5. **ROUTING OF SHIPMENT:** Consistent with service requirements and type of product involved, all shipments will normally be made by the most economical means and packed for domestic transportation to meet the standard requirements of U.S. common carrier. CMO reserves the right in all cases to select the means of transportation and the routing unless otherwise specified by the Buyer. If shipment is made on request of Buyer by a method of delivery and/or indirect routing involving additional and/or premium transportation and/or packing expense, the additional cost will be paid by the Buyer.

6. **DELIVERY:** CMO WILL ATTEMPT TO MEET THE DELIVERY SCHEDULE REQUESTED BY THE BUYER, HOWEVER, ANY DELIVERY QUOTATION IS ONLY AN ESTIMATE OF THE TIME REQUIRED TO MAKE SHIPMENT.

CMO shall not be responsible for delays in delivery or failure to deliver due to causes beyond its control, including, without limitation, acts of God, acts of Purchaser, government action (civil or military) taking or attempting CMO's production facilities, legal interferences or prohibitions, fires, strikes or other labor difficulties, wars or hostilities, insurrections or riots, embargoes, equipment breakdown, wrecks or delays in transportation, unusually severe weather, inability to obtain necessary labor, material or manufacturing facilities due to causes beyond its control, or any like or dissimilar cause beyond its control. In the event of any such delay, the date of delivery shall be extended for a period equal to the time lost by reason of the delay. CMO shall have the right to furnish suitable substitutes for materials which cannot be obtained because of the above causes and to apportion its shipments among its customers in such manner as it shall deem equitable.

7. **WARRANTY:** CMO warrants that the products delivered hereunder will be in substantial conformity with specifications furnished by Buyer and accepted by CMO and free from defects in material and workmanship. CMO's obligation under this warranty shall be limited to (at its option) repairing, replacing or granting a credit at the prices invoiced at the time of shipment of any of said products which shall within 90 days after shipment be returned to the factory, per the "ADJUSTMENTS" clause, and which are, after inspection, disclosed to CMO's satisfaction to have been defective in the form in which they were shipped by CMO before their use in further manufacture or assembly. This warranty shall not apply to any of such products which shall have been repaired or altered, except by CMO, or which shall have been subjected to physical or electrical abuse or misuse.

OTHER THAN AS SET FORTH ABOVE, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THAT OF MERCHANTABILITY AND FITNESS, MADE BY CMO IN RESPECT TO ANY PRODUCTS SOLD HEREUNDER.

8. **LIMITATION OF LIABILITY:** CMO shall not be liable for special or consequential damages of any nature with respect to any products or services sold or rendered hereunder.

9. **ADJUSTMENTS:** When a Buyer wishes to return products, under the "WARRANTY" clause, he shall first obtain written approval from the appropriate CMO representative. Following receipt of such approval, shipment may be made via the route specified in such approval, freight prepaid by the Buyer. The package in which products are returned must be able to withstand normal freight handling and include therein a package list stating the quantities and types of products being returned, the invoice number of the original shipment and the reason for return. Upon receipt, CMO will inspect the returns by appropriate means and notify Buyer of its decision regarding CMO responsibility. Returns found to be CMO's responsibility under the warranty set forth hereinabove will be repaired, replaced, or credited to the Buyer at CMO's option. Returns found to be defective and to be the Buyer's responsibility will be repaired or replaced at Buyer's option and cost. Returns found to be serviceable without defect will be returned to the Buyer correct.

10. **PATENTS AND TRADEMARKS INDEMNITY:** CMO assumes no consequential or other liability for, and the Buyer agrees to indemnify and hold CMO harmless against, any claims (including attorneys fees) resulting from the production of articles or materials, which are manufactured by CMO to the Buyer's specification or from the production of articles or materials designed by CMO to meet the Buyer's requirements or arising out of the use of any equipment, materials, parts or machinery furnished by the Buyer in making products to the Buyer's specifications. Furthermore, CMO assumes no consequential or other liability for, and the Buyer agrees to hold CMO harmless from, infringement of patent claims covering any equipment, assembly, system, circuit, or combination in which any such products may be used as a component, or from any trademark infringements involving any marking or branding not applied by CMO or involving any marking or branding applied at the request of the Buyer. No costs or expenses under this paragraph shall in any event be incurred for the account of CMO without its written consent.

11. **SALES CONVEYS NO LICENSE:** CMO products are offered for sale and are sold, subject in every case to the conditions that such sales do not convey any license, expressly or by implications, estoppel, or otherwise, under any patent claim with respect to which CMO can grant licenses covering a completed equipment or any assembly, system, circuit, combination, method or process in which any such products which are used as components (notwithstanding the fact that such products may have been designed for use in, or in any way may be useful in, such patented equipment, assembly, system, circuit, combination, method or process, and that such products may have been purchased and sold for such use). CMO expressly reserves all its rights under such patent claims.

12. **CHANGES:** Buyer shall have the right (by written change order) to request a change to product specifications, delivery rates and/or delivery schedules, provided, however, that prior to their implementation any such change(s) shall be subject to written acceptance by CMO and an equitable adjustment to the contract price and/or delivery schedule, as appropriate.

13. **TOOLING, DIES, TEST FIXTURES, DRAWINGS, ETC.:**

(A) Unless otherwise specifically agreed upon in writing between the Buyer and CMO, all tooling, dies, test fixtures, and all drawings of every kind hereinafter referred to as "Tooling") used by CMO in, and not owned by Buyer prior to the performance of the Buyer's order, shall remain the exclusive property and under the exclusive control of CMO, and shall not be deliverable to the Buyer.

(B) Any Tooling, sold to Buyer, is sold "AS IS" without any warranties whatsoever and Buyer agrees to indemnify CMO against all claims arising out of the use of such Tooling.

14. **BUYER'S MATERIAL:** Orders requiring the use of the Buyer's raw material components, and/or equipment are accepted subject to delivery of material, components and/or equipment at the time, in the amount, and in dimensions as specified by CMO. FOB its plant. If any of the material, components and/or equipment is defective or will not perform to CMO requirements for any reason, CMO may cancel Buyer's order without incurring liability, and the Buyer following invoice by CMO shall pay for costs per the TERMINATION section hereunder. Scrap resulting from fabrication of the Buyer's products shall be the property of CMO unless otherwise agreed upon in writing. It shall be the Buyer's responsibility to furnish raw material, components and/or equipment acceptable to CMO and if it is necessary to inspect, gage or rework, it will be upon the Buyer's approval and at the Buyer's expense.

15. **COMPLIANCE WITH LAWS:** CMO does not assume any liability for the Buyer's or the products' compliance with any federal, state, or local laws or regulations.

16. **TERMINATION:** Any order may be terminated by the Buyer upon not less than thirty (30) days prior written notification to CMO, subject to the following conditions: (A) Buyer will accept delivery of, and pay for, all products which are completely manufactured as of the effective date of termination.

(B) The Buyer will pay all costs, direct or indirect, which have been incurred by CMO with regard to products which have not been completely manufactured at the effective date of termination, and a reasonable profit thereon. Such costs include, but are not limited to: all material and work-in-process in inventory for use in the product including all associated costs; vendor cancellation charges for cancelled material for the product; material for the product which CMO is obligated to accept after cancellation; start-up, preparation and shut-down costs; and any special equipment bought and used specifically for the order in question which becomes excess due to cancellation.

Notwithstanding the foregoing, the total of all items for which Buyer is liable, including product shipments and (A) and (B) above shall not exceed the total contract price of the order.

17. **ORDERS:** These terms and conditions shall be deemed included as part of any order or orders placed with CMO in accordance with or as a result of this quotation. Purchase orders containing language which modifies, adds to, or is in any way inconsistent with CMO's Terms and Conditions of Quotation and Sale as contained herein are accepted by CMO only on the express condition that any such language in such purchase orders shall be inoperative, and that the liabilities of CMO shall be determined solely by CMO's Terms and Conditions of Quotation and Sale. No terms and conditions other than those stated herein and no written or oral agreement that purports to vary these terms and conditions shall be binding upon CMO unless specifically agreed to by CMO in a signed writing.

18. **AMENDMENT OF TERMS:** These terms and conditions of quotation and sale are subject to withdrawal or change by CMO at any time. Until modified or withdrawn, the terms and conditions herein will govern unless specifically changed in writing by Buyer authorized representative of CMO.

THE MANAGEMENT AND RESOURCES AT CMO ARE ORGANIZED ALONG INDUSTRIAL/COMMERCIAL LINES TO SERVE ITS CUSTOMERS COMPETITIVELY. THEREFORE, BY POLICY, CMO DOES NOT PROVIDE A D0633 OR SIMILAR COST AND PRICING DATA OR THEIR COMPOSITION.

PRODUCT	"A" Price	Quota (M)	Sales (\$)	Media (\$)	M/S (%)
<u>NOVELTIES</u>					
Can & Worms	1.00	4,650	4,650		
Slime	.90	2,000	1,800		
NOVELTY ADV			6,450		
Non Adv.			45		
TOTAL NOVELTY			6,495		
<u>GAMES</u>					
Brook Hoop	4.90	60	294		
Lodzilla Game	5.90	115	679		
Superman Pinball	13.90	120	1,668		
Slime Monster Game	4.90	200	980		
ABC Monday Night Football	7.90	175	1,383		
GAMES ADV			5,004		
Non Adv.			9		
TOTAL GAMES			5,013		

PRODUCT	"A" Price	Quota (M)	Sales (\$)	Media (\$)	M/S (%)
<u>NOVELTIES</u>					
Can O Worms	1.00	4,650	4,650		
Slime	.90	2,000	1,800		
NOVELTY ADV			6,450		
Non Adv.			45		
TOTAL NOVELTY			6,495		
<u>GAMES</u>					
Broom Hoop	4.90	60	294		
Godzilla Game	5.90	115	679		
Spinball					
Superman Pinball	13.90	120	1,668		
Slime Monster Game	4.90	200	980		
ABC Monday Night Football	7.90	175	1,383		
GAMES ADV			5,004		
Non Adv.			9		
TOTAL GAMES			5,013		